

Central Alberta

Regional Assessment Review Board

CARB 0262 900 2017
Roll No. 30002012705

COMPOSITE ASSESSMENT REVIEW BOARD DECISION
HEARING DATE: AUGUST 30, 2017

PRESIDING OFFICER: J. SINGH
BOARD MEMBER: A. GAMBLE
BOARD MEMBER: A. KNIGHT

BETWEEN:

AVISON YOUNG
(ON BEHALF OF PARKLAND PROPERTIES LTD)

Complainant

-and-

THE CITY OF RED DEER
REVENUE AND ASSESSMENT

Respondent

This decision pertains to a complaint submitted to the Central Alberta Regional Assessment Review Board in respect of a property assessment prepared by an Assessor of The City of Red Deer as follows:

ROLL NUMBER: 30002012705
MUNICIPAL ADDRESS: 5102 58 Street, Red Deer, AB
ASSESSMENT AMOUNT: \$2,451,200

The complaint was heard by the Composite Assessment Review Board on the 30th day of August, 2017, at The City of Red Deer, in the province of Alberta.

Appeared on behalf of the Complainant: Joel Mayer, Avison Young (Agent)

Appeared on behalf of the Respondent: Jason Miller, Assessor
Maureen Cleary, Assessor

DECISION: The assessed value of the subject property is confirmed at \$2,451,200.

JURISDICTION

- [1] The Central Alberta Regional Assessment Review Board [“the Board”] has been established in accordance with section 456 of the *Municipal Government Act*, RSA 2000, c M-26 [“MGA”], and City of Red Deer Bylaw No. 3474/2011, *Regional Assessment Review Board Bylaw*.

PROPERTY DESCRIPTION AND BACKGROUND

- [2] The subject property includes two office buildings. One single-storey building, measuring 3,821 sq. ft. was built in 1966; and a two-storey building, measuring 9,213 sq. ft. was added in 2006. These are located on a 32,672 sq. ft. (0.75 acre) lot at 5102 – 58 Street in Riverside Meadows, in Red Deer municipal jurisdiction.
- [3] The 2017 assessment, based on a rental rate of \$16 per sq. ft. for the main floor and \$14 per sq. ft. for the upper floor, is \$2,451,200.
- [4] The Complainant is requesting that the assessment be reduced to \$1,857,100, on the grounds that the rental rates used for the assessment are too high.

PRELIMINARY MATTERS

- [5] The Board Chair confirmed that no Board Member raised any conflicts of interest with regard to matters before them.
- [6] Upon questioning by the Presiding Officer, the parties indicated they did not object to the Board’s composition. In addition, the Board members stated they had no bias with respect to this file.

ISSUES

- [7] Are the rental rates used for the subject assessment fair and equitable?

POSITION OF THE COMPLAINANT

- [8] In support of the requested change to the assessment, the Complainant provided a table of four leases for the main floor office space and one lease for the upper floor space.
- [9] Two of the main floor leases as well as the upper floor lease are from the subject property.
- [10] Two other comparable leases for the main floor space are from an office building located at 5440 – 45 Street.
- [11] The average and median rental rates for the main floor space were shown to be \$13.17 per sq. ft. and \$13.10 per sq. ft., respectively.

- [12] The upper floor lease rate was stated as \$9.00 per sq. ft.
- [13] The Complainant stated that the current assessment indicates a unit value of \$189.93 per sq. ft. for the two-storey building and \$183.16 per sq. ft. for the older, one-storey office building.
- [14] Quoting the sale of a 17,028 sq. ft. building located at 5580 – 45 Street, at a reported unit value of \$158.56 per sq. ft., in April 2016; the Complainant requested that the subject assessment be reduced to bring the assessed unit value to \$140.80 - \$146.25 per sq. ft.; which will be more in line with the prevalent market conditions.
- [15] In response to questions, the Complainant accepted that the sales comparable building (5580 – 45 Street) was a set of condominium units but stressed that all units were owned by one owner and sold to two different buyers on the same day. This, in the Complainant's opinion, comprised a valid comparable sale.
- [16] The Complainant stated that the Respondent's lease rate analysis did not provide the address of the properties or the details of leases included. In the absence of such information, it was not possible to ascertain the location and comparability of properties on which the City's assessment lease rates were based.
- [17] The Complainant argued that the two most recent leases included in the Respondent's table of lease rate study, were at \$14.19 and \$14.00 per sq. ft. These rates, the Complainant stressed, did not support the \$16 per sq. ft. lease rate used for the subject assessment.
- [18] During questioning, the Complainant clarified that the lease rates quoted in respect of the 5440 – 45 Street comparable property were based on information provided by a real estate agent and the Complainant had not verified the same from the owner. There was no documentary evidence in support of these lease rates.
- [19] Based on the above information and analysis, the Complainant requested that the rental rates used for assessment be reduced to \$13 per sq. ft. for the main floor and \$9 per sq. ft. for the upper floor space; resulting in reduced assessment value of \$1,857,100.

POSITION OF THE RESPONDENT

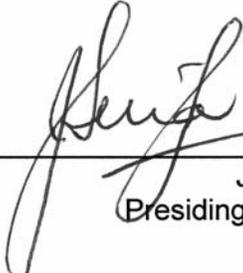
- [20] The Respondent stated that the typical lease rates that were used for the subject assessment were based on an analysis of forty leases from different properties in the market area. A sub-set of six leases from office properties, picked on the basis of size comparability, showed a median lease rate of \$15.75 per sq. ft. that supported the typical lease rate of \$16 per sq. ft. used for assessment of the main floor space.
- [21] A similar sub-set of 2nd floor office space leases showed a median rate of \$11.38 per sq. ft.; substantially higher than \$9.00 per sq. ft. requested by the Complainant.
- [22] Due to limited sales and in the absence of sales of office buildings in the subject's neighbourhood, the Respondent presented a comparable sale, located at 4817 48 Street. The Respondent acknowledged that this was a superior location but the selling price of \$199 per sq. ft.; which is \$11 per sq. ft. more than the subject assessment; supported the assessment of the subject property at \$188 per sq. ft.

- [23] The Respondent stated that the information provided by the owner of the subject property, in response to the City's Request for Information (RFI), indicated an annual parking income of \$23,220. This was inadvertently, not included in the current year assessment. Had it been included, the resulting assessment value would have been \$251,100 more than the current assessed value of \$2,451,200. The Respondent clarified that the City was not requesting the Board to increase the current year assessment.
- [24] Concerning two leases from 5440 – 45 Street, included in the Complainant's table of four leases, was not supported with any evidence. The Respondent stated that such unsubstantiated information could not be relied upon to question the correctness of the City's lease rate analysis.
- [25] The Respondent further stated that the property owner (for 5440 – 45 Street) had not responded to the City's RFI for several years and hence, the Complainant's unsupported evidence could not be verified.
- [26] Commenting on the sales comparable provided by the Complainant, the Respondent stated that;
- I. The sales comparable property located at 5580 45 Street was an industrial condominium property and not comparable to the subject, which is assessed as an office building.
 - II. One of the purchasers was a church group and the intended use or motivation was not known.
 - III. The Complainant had not seen this property from inside and thus, could not say if, in qualitative terms, it was comparable to an office building.
- [27] The Respondent pointed out, based on the RFI information provided by the owner of the subject property, that unit 225 on the 2nd floor had been leased at \$16.35 per sq. ft.; well above the requested \$9.00 per sq. ft. lease rate.
- [28] In conclusion, the Respondent stated that the assessments were based on typical rates determined through analysis of lease rate information provided by owners of similar properties in the same neighbourhood or market area; and not on the actual rates applicable to any particular property. The Respondent requested the Board to confirm the subject assessment at \$2,451,200.

DECISION AND REASONS FOR THE DECISION

- [29] The Board confirms the assessment at \$2,451,200.
- [30] The Board notes that the reason for complaint is that the 2017 assessment value of the subject property is incorrect because excessive office lease rates have been used for the assessment.
- [31] The Board acknowledges the Respondent's legislated obligation to base the assessments on the typical market rates determined through analysis of market information provided by the owners of properties in response to the municipality's annual Request for Information process.

- [32] The two comparable lease rates included in the Complainant's table of four leases are not supported by any evidence and could not be verified because the owner of this property (5440 – 45 Street), has not responded to the City's Request for Information for several years. As this was the only comparable lease rate information provided by the Complainant, the Board is left with no credible basis to question the correctness of the typical lease rates used for the subject assessment.
- [33] The sale of a comparable property included by the Complainant is in respect of a 16 unit industrial condominium complex, not an office building. The Board finds that the sales information in respect of a sufficiently dissimilar property cannot be relied upon to question the correctness of the subject assessment.
- [34] The Board finds that the lease rate information submitted by the property owner, in response to the City's request (RFI) does not support the Complainant's request for lower rental rates for the current year assessment.
- [35] The Board finds that the Complainant has not provided sufficient or compelling evidence to support the contention that incorrect and excessive lease rates have been used for the current year assessment of the subject property.
- [36] Dated at the Central Alberta Regional Assessment Review Board, in the city of Red Deer, in the Province of Alberta this 27 day of September, 2017 and signed by the Presiding Officer on behalf of all the panel members who agree that the content of this document adequately reflects the hearing, deliberations and decision of the Board.



J. Singh
Presiding Officer

This decision can be appealed to the Court of Queen's Bench. If you wish to appeal this decision you must follow the procedure found in section 470 of the MGA which requires an application for judicial review to be filed and served within 60 days of being notified of the decision. Additional information may also be found at www.albertacourts.ab.ca.

LEGISLATION

The *Municipal Government Act*, RSA 2000, c M-26, states:

s 1(1)(n) “market value” means the amount that a property, as defined in section 284(1)(r), might be expected to realize if it is sold on the open market by a willing seller to a willing buyer;

s 467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s 467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

(a) the valuation and other standards set out in the regulations,

(b) the procedures set out in the regulations, and

(c) the assessments of similar property or businesses in the same municipality.

EXHIBITS

- A-1 Hearing Materials (12 pages)
- C-1 Complainant’s Brief (44 pages)
- R-1 Respondent’s Brief (19 pages)